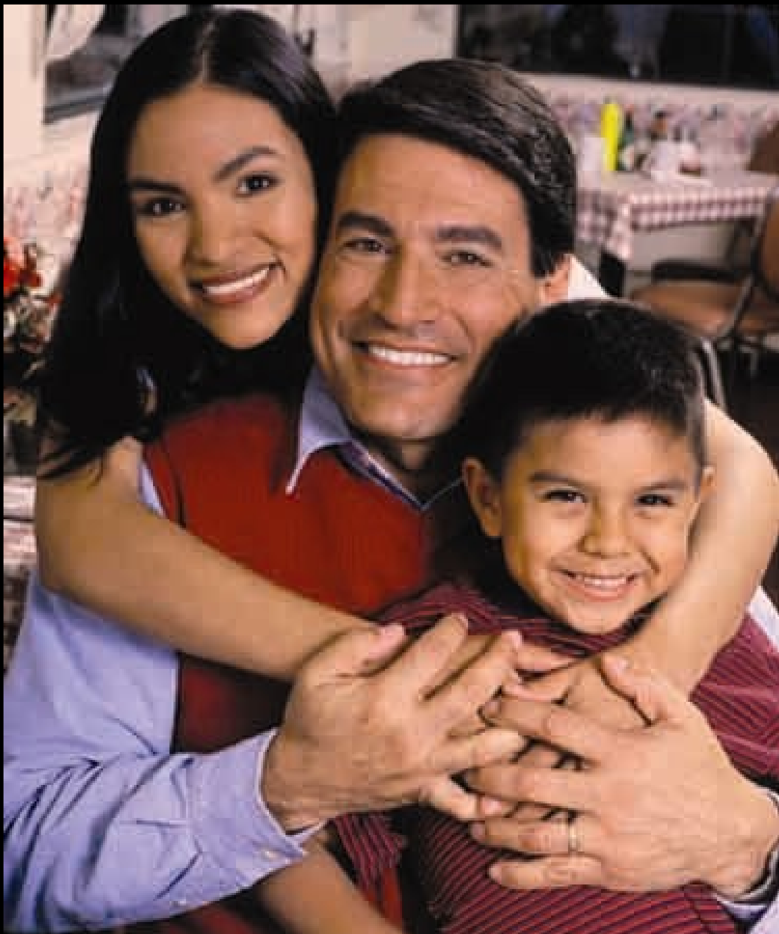
OWNERSHIP AGENDA



Empowering Families in Need

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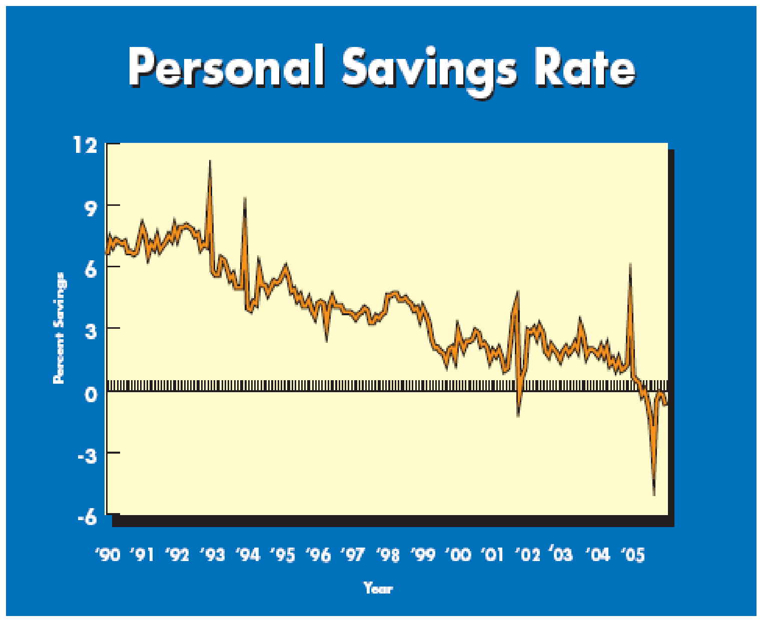
Success in America today depends on not just a job and growing income, but increasingly on the ability to accumulate a wide range of assets. Owning a home, obtaining an education and building diverse financial investments are essential elements of economic well being that provide the basis for building and expanding wealth. The U.S. economy has continued to grow at a healthy pace for the last three years; every quarter the economic figures reflect the underlying strength and resilience of the continuing economic expansion. Taking full advantage of these opportunities requires knowledge of financial assets.

The Federal Reserve Board of Governors recently released a financial report revealing that although the "income gap" between white American and African American households is closing, the "wealth gap" continues to widen. The data highlights the relative lack of investment and savings in African American household as the main causal factor for the "wealth gap". Other factors which impact both non-white households and low-income households include the inheritability of skills, stability of marriage, financial literacy, and cultural disincentives.



Building up assets and avoiding excessive debt can help families insure against unforeseen disruptions, achieve economic independence, and reach the middle class. Economic success requires a long-term perspective, including a willingness to forego consumption today for higher living standards in the future.

Asset-building strategies for low- and moderate-income families rely on strengthening incentives to save and invest, and families often lack the financial education to make informed and appropriate decisions.

Senator Santorum believes that proactive private-public partnerships can expand opportunity for low-income working families. The proposals in this packet will expand wealth creation and build assets for families through increased incentives for strategic savings, homeownership, and to help with the costs of raising children. These incentives are coupled with educational programs to create a sustainable environment for ownership and investment.

The Congressional Savings and Ownership Caucus

The Congressional Savings and Ownership Caucus was formed in February 2005 in order to bring together key Members of Congress, their staffs, and leading outside experts to discuss – in a non-partisan, forward-looking manner – recent research findings, policy options, and potential legislative opportunities to advance the goal of expanding savings and asset ownership in America. The Caucus is co-chaired by Senators Rick Santorum (R-PA) and Kent Conrad (D-ND) and Representatives Jim Cooper (D-TN), Phil English (R-PA), Harold Ford Jr. (D-TN), and Thomas Petri (R-WI).

"Clearly, an ownership society includes at least several key elements such as an emphasis on financial education and skills, incentives for savings with special emphasis on low-income families, and empowerment through expanded choice. One third of all Americans have no assets available for investment, and another fifth have only negligible assets. The United States household savings rate lags far behind that of other industrial nations, constraining national economic growth and keeping many Americans from entering the economic mainstream by buying a house, obtaining an adequate education, or starting a business."

Statement of Sen. Rick Santorum at the Hearing of the Subcommittee on Social Security and Family Policy of the Senate Finance Committee on "Building Assets for Low-Income Families", April 28, 2005.

SPLIT REFUNDS

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Split Refunds

The Congressional Savings and Ownership Caucus has focused on Split Refunds among other issues. One of the most promising strategies for achieving this- particularly among low and moderate-income working families who most need increased retirement security- would be to facilitate the direct deposit of federal income tax refunds into IRAs and other similar accounts. "Split refunds" open another door to savings for many Americans.

While tax refunds amount to substantial income for many Americans, current IRS rules do not allow taxpayers to directly deposit their refund into more than one account. Persuasive evidence suggests that taxpayers would be more likely to save a portion of their refund if they could direct the IRS to deposit their portion in an IRA, Section 529 account, or some other savings vehicle, while sending the balance of the refund to a checking account to meet immediate needs.

A community pilot program implemented two tax seasons ago proved that even low-income tax filers, those who have the least likelihood but greatest need of saving, would take advantage of this option. The Doorways to Dreams Fund and the Community Action Project of Tulsa County offered 472 tax filers the opportunity to split their refunds between a savings account and a refund check. The average income of the tax filers was $13,440, and of the people who were offered the opportunity, about one-third opted to participate. According to researchers at Harvard Business School and the University of Kansas, participants deposited $583 on average- 47 percent of their refunds- into savings accounts. Seventy-five percent of these individuals had no prior savings.

In response to the urging of members of Congress, families, and the Congressional Savings and Ownership Caucus, the IRS implement a split refund option in 2006. Additionally, recognizing the great need to continue remove disincentives to save and to encourage low- and moderate-income individuals to build assets, the split refund option was codified in the Pensions Protection Act.

Individual Development Accounts

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S. 922: The Savings for Working Families Act of 2005
Sponsor: Senator Santorum (R-PA) Co-Sponsor: Senator Lieberman (D-CT)

Assets play a critical role in wealth creation and opportunity in America. The Savings for Working Families Act of 2005 is based on the premise that all Americans should have access to the structures that subsidize homeownership and retirement savings for wealthier families.

"Low-income Americans face a significant hurdle when trying to save. Individual Development Accounts (IDAs) provide them with a way to work toward building assets while instilling the practice of savings into their everyday lives. IDAs are one of the most promising tools that enable low-income and low-wealth American families to save, build assets, and enter the financial mainstream."
Statement of Senator Rick Santorum at the Hearing of the Subcommittee on Social Security and Family Policy of the Senate Finance Committee on "Building Assets for Low-Income Families", April 28, 2005.

What is an IDA?

Individual Development Accounts (IDAs) encourage ownership among low-income individuals by offering them matches for their own savings and by rewarding monthly savings of working-poor families who are trying to buy their first home, pay for post-secondary education, or start a small business. These matched savings accounts are similar to 401(k) plans and other matched savings accounts, but better serve low-income families by providing them with the tools to achieve the American Dream.

Why is this Crucial?

Asset ownership has gained increasing importance in the American society.

- America's low savings rate threatens our continued economic growth by limiting business capital, increasing our reliance on foreign investment and goods, creating an environment for higher interest rates and future financial insecurity. The Savings for Working Families Act will encourage savings to promote future financial stability.

- Current studies suggest that together financial and property assets have positive effects on economic security, household stability, physical health, educational attainment, and civic involvement for individuals in every income bracket.

National savings creates jobs and opportunities.

- Savings promotes the economic growth necessary for jobs, improved standards of living and opportunities for all Americans. The Savings for Working Families Act will provide the infrastructure for sustained investment through combining IDAs with the educational tools necessary for ownership and independence.

Family savings promotes security and opportunity.

- Many Americans do not have the assets that provide families with financial security and opportunities for societal advancement. Taking only liquid assets into account, about 40% of all families lack sufficient assets to meet basic needs at the poverty level for three months in the absence of other income.
- More than 25% of all families and more than 55% of all non-white and Hispanic families do not own their own homes at a time when our economy is generating greater returns on assets than on labor.

As significant as current private and community-based IDA efforts are, they cannot meet the growing demand for IDAs.

- One-third of all Americans and two-thirds of African-Americans are asset-poor. As many as one-fifth of Americans are "unbanked". The vast majority of these Americans are not currently benefiting from IDAs.
- The Savings for Working Families Act will provide 900,000 low-income, working Americans with the opportunity to build assets through these matched savings accounts.

"Success in America today requires not just a job and growing income, but increasingly relies on the ability to accumulate a wide range of assets. It is the combination of both income and assets that provides the means to take advantage of the broad opportunities offered by a prosperous society. Yet many Americans have no assets to their name… Developing more inclusive asset building policies is a prerequisite in offering each American the opportunity to have a direct stake in the economy, becoming more financially independent, and bequeath wealth and opportunity to future generations." Testimony of Ray Boshara, Director of the Asset Building Program New America Foundation, before the Subcommittee on Social Security and Family Policy of the Senate Finance Committee on "Building Assets for Low-Income Families" April 28, 2005.

Sustained Opportunity through Education

IDAs seek to educate low-income individuals through a financial literacy program. Participants in IDA programs are required to attend classes to increase financial skills, giving them the tools for success in the future. Funds cannot be withdrawn from the accounts until the owner has undertaken at least one financial education course, ensuring that families gain wealth and financial knowledge.

"The program taught me money management and budgeting. It taught me simple things like writing down everything I spent and cutting out unnecessary expenses. I had never saved before. Saving was not easy, but I stayed focused and kept thinking about my long-term goals of starting my business and purchasing a house for my family. The program gave me a sense of accomplishment. It built my self-esteem and self-worth and now I looked forward and welcome new challenges because now I know that I can do it. At one time I didn't even think beyond the next day, and now I am planning for my future and my children. When I look back over my life, I can't believe the strides that I have made. Programs like these are essential to help those in my former circumstances succeed and prosper."

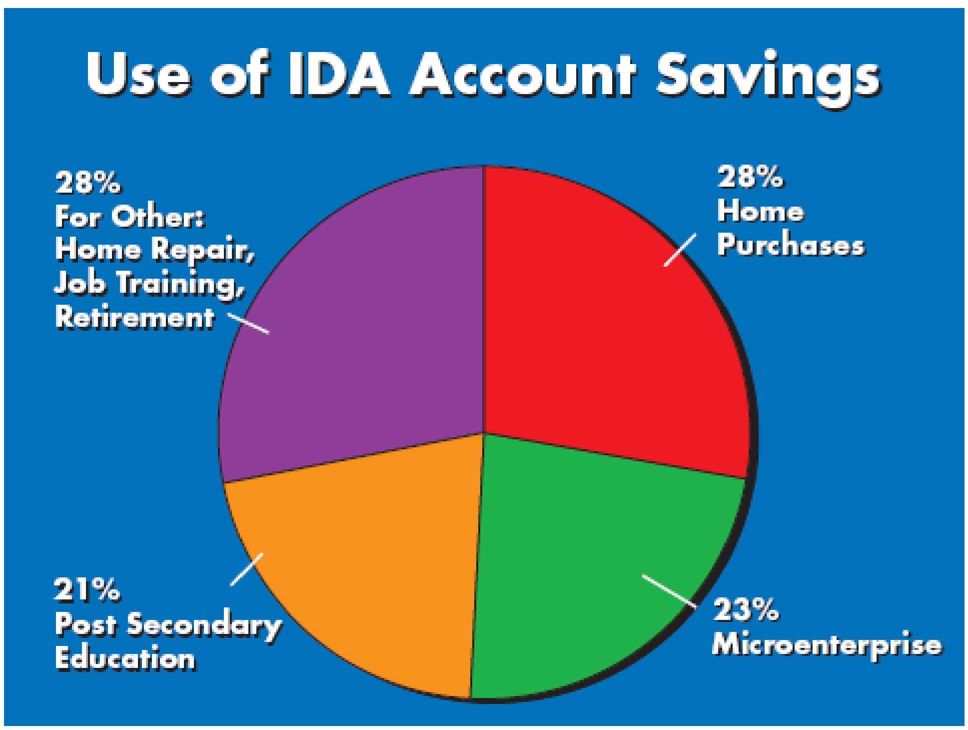
Testimony of Michelle Simmons, a participant in the Individual Development Account program in Pennsylvania, before the Subcommittee on Social Security and Family Policy of the Senate Finance Committee on "Building Assets for Low-Income Families" April 28, 2005.

The Benefits

IDAs create more than just income enhancement and asset accumulation; IDAs affect individuals' confidence about the future, willingness to defer gratification, and encourage individual investment. Reliance on public assistance decreases as families are able to invest in educational opportunities and reduce their housing costs through ownership. As families invest in assets for the future, children do better in school, voting participation increases, and family stability improves. Communities as a whole also benefit from this critical program as community members begin investing in their local communities.

Research from the Center for Social Development demonstrates that IDAs:

- **Promote economic household stability and educational attainment,**
- **Decrease the risk of intergenerational poverty transmission,**
- **Increase health and satisfaction among adults, and**
- **Increase local civic involvement.**



The Savings for Working Families Act will help lift low-income families out of poverty and will enable these individuals to take control of their futures through implementing these IDA programs. A dollar-for-dollar match will be provided for the first $500 dollars contributed to the fund each year, and as funds are deposited, IDAs will grow rapidly to improve the lives of low-income Americans in an efficient and tangible way.

The importance of IDAs in the Savings for Working Families Act cannot be overstressed. Similar wealth creation tools have been used in the Homestead Act of 1862, the GI Bill of 1944, and the creation of the Federal Housing Administration (FHA) in 1932. The Homestead Act allowed Americans to pass wealth and property onto the next generation; the GI Bill offered veterans grants to pay for training and higher education, loans for setting up new businesses, and mortgages to purchase homes. Congressional reports indicate that the GI Bill generated returns of up to seven dollars of ever dollar invested, benefiting almost 8 million veterans. The FHA was created to help many Americans purchase a home and has played a role in the country's rising homeownership rate. These programs demonstrate the value of ownership incentives like IDAs. The Senate voted 95-5 to pass the CARE Act, which includes provisions to create IDAs, but partisan politics prevented the CARE Act from going to Conference.

"The hard part was saving. I had never saved before, and I needed something to discipline me. The [program] taught me to budget and track my expenses. I thought about unnecessary things that I was spending money on and started making small sacrifices towards larger goals. After a few months it got easier. I began to get excited, determined and disciplined. I saw my money grow, my credit score rise, and my confidence tip the scales… Most importantly, this program has given me the opportunity to pass good budgeting and savings habits on to my children. While attending the program, I would take my children to the grocery store and show them how they could save money when shopping. I would show them my bank statements so they could watch our savings grow over time, and I was able to teach them to differentiate between wants and needs. I also opened savings accounts in their names and they now make regular deposits from their allowances and money they earn from chores."

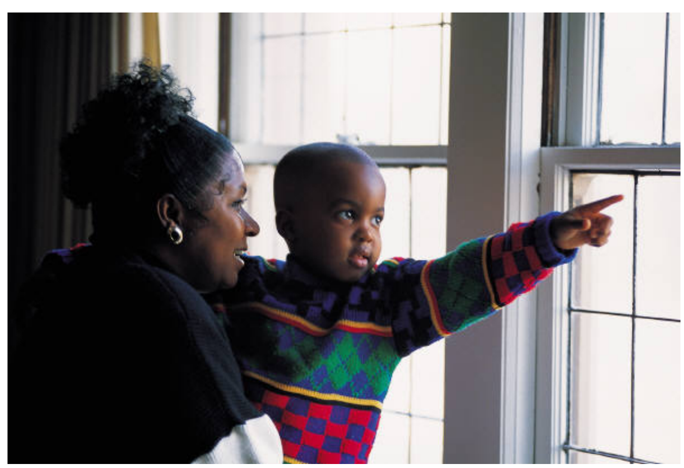
Testimony of Dorothy Beale, participant in Pennsylvania's Savings Account Program, before the Subcommittee on Social Security and Family Policy of the Senate Finance Committee on "Building Assets for Low-Income Families" April 28, 2005.

KIDS Accounts

Empowering Families in Need

S.868 The America Saving for Personal Investment, Retirement, and Education Act ("The ASPIRE Act of 2005")
Sponsor: Sen. Santorum (R-PA) Co-Sponsors: Sen. Corzine, Sen. DeMint, Sen. Schumer

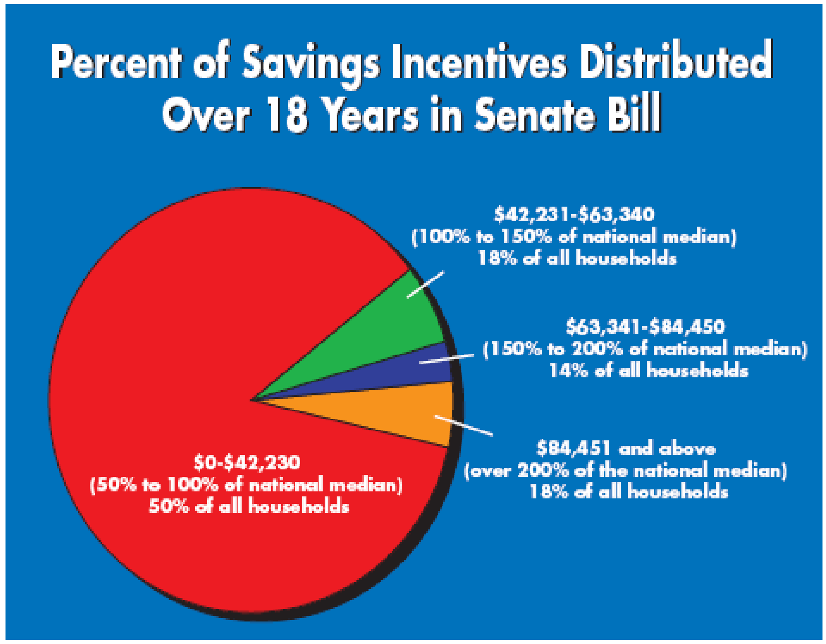
A KIDS Account will create an opportunity for every child and their family to begin investing in their future by providing a sound financial start for children born into poverty and creating opportunities for families and children to become more financially literate. For some children, this asset pool will be a seed of profitable and productive investments.



What is a KIDS Account?

The America Saving for Personal Investment, Retirement, and Education (ASPIRE) Act will provide a Kids Investment and Development Savings (KIDS) Account for every child born after December 31, 2006. Each account will be endowed with a one-time $500 contribution, and children in households earning below the national median income will be eligible for a supplemental contribution of up to $500.

The accounts will be supported by incentives designed to encourage savings, promote financial literacy and expand asset-building opportunities like homeownership, education and retirement. Families and other entities will be allowed to contribute additional resources into these accounts. These voluntary contributions, up to $1,000 per year, will be after-tax and will not be tax deductible, but the account earnings will accumulate tax-free.



All KIDS Accounts will be open until retirement and a minimum balance equal to the automatic contribution must be maintained throughout the life of the account.

Families may also use KIDS Accounts to establish a sense of financial security for their children at an early age. The ASPIRE Act of 2005 is a bipartisan bill signaling that our society is committed to the success of children. We will give them the tools and resources to act responsibly and make appropriate choices throughout their lives. By creating an inclusive system of KIDS Accounts, the ASPIRE Act will expand opportunity, broaden asset ownership and encourage savings by parents and children that will prepare them to be productive stakeholders of the American economy.

The ASPIRE Act will establish the KIDS Account Fund within Treasury, which will be governed by a Board of Directors similar in structure to the Board that oversees the Thrift Savings Plan (TSP), the retirement program for federal employees. As with the TSP, investments will be managed by a private sector firm. Withdrawals cannot be made from the KIDS Account prior to the account holder's 18th birthday.

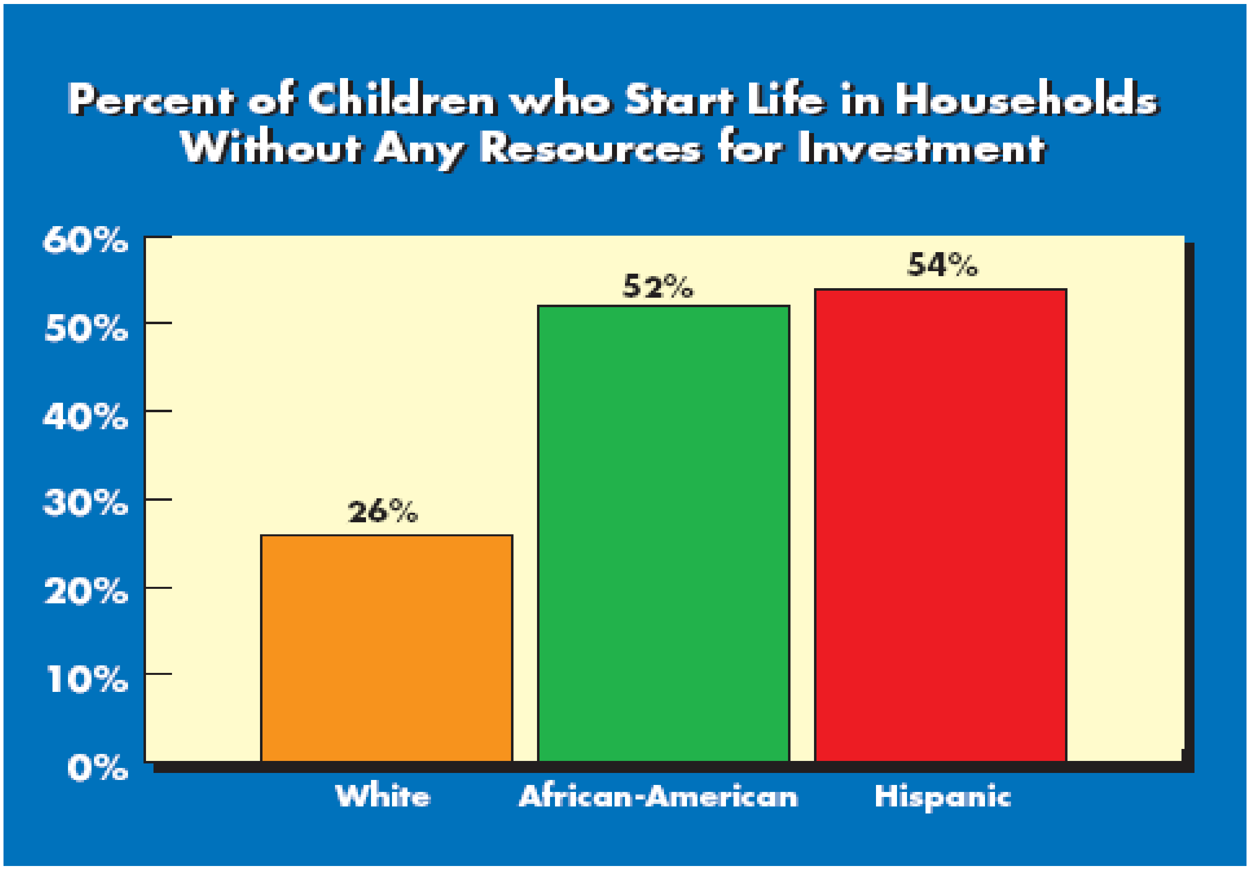
"We believe that young students who are saving and learning financial concepts, and who know there is a nest egg for their college or training expenses, will engage more fully in their studies, and this in turn will contribute to higher academic achievement."

Testimony of Dr. Victoria Gonzalez-Rubio, Principal Delmar-Harvard Elementary School, University City, MO, before the Subcommittee on Social Security and Family Policy of the Senate Finance Committee on "Building Assets for Low-Income Families" April 28, 2005.

The Critical Importance of KIDS Accounts

For many children, particularly minority and low-income children, attending college is a genuinely desired but elusive goal. Among high school graduates, only 39 percent of African Americans, 32 percent of Latinos, and 45 percent of whites enroll in college. Many children born into poverty feel that the financial costs of continuing education are simply too high or lack the financial knowledge and tools to maximize any savings efforts.

KIDS Accounts will promote savings and asset building. A typical lower-income family making modest but steady contributions can create a KIDS Account worth over $20,000 in 18 years. KIDS Accounts offer an opportunity to promote financial education for both children and parents alike. While parents and legal guardians will serve as account custodians and initially make investment decisions, children will have a stake in learning about their KIDS Account that is in their name and they will be responsible for developing at age 18.



Research suggests that people think and behave differently when they are accumulating assets. KIDS Accounts will allow children to feel secure in their present situations; people who own assets are, by and large, more optimistic about their ability to succeed. Each child will grow up knowing that there is an account with their name on it, opening up new opportunity and possibility in the future.

"This 'accounts-at-birth' approach represents a social investment in every child at the same time as it gives the child a stake in broader society. Each child will grow up knowing they will have a modest pool of resources at their disposal to help them succeed. These accounts would establish a universal platform and infrastructure to facilitate future savings and lifelong asset accumulation. Beyond the individual benefits, investing in children could have larger multiplier effects, especially when it is linked to increasing social engagement and expanding opportunity. In the long run, building wealth through children's savings accounts and other means has the potential to help break the vicious cycle of intergenerational poverty."

Testimony of Ray Boshara, Director of the Asset Building Program New America Foundation, before the Subcommittee on Social Security and Family Policy of the Senate Finance Committee on "Building Assets for Low-Income Families" April 28, 2005.

401(K) Enhancement Act: Encouraging Retirement Savings

Empowering Families in Need

S.1819 The 401(k) Enhancement Act: Encouraging Retirement Savings
Sponsor: Senator Santorum

What is the 401(k) Enhancement Act?

The 401(K) Enhancement Act provides incentives to employers to automatically enroll employees in 401(k) plans by removing the barriers that have deterred employers from offering automatic enrollment in the past.

Automatic enrollment drastically increases participation in 401(k) plans. Automatic enrollment encourages greater plan participation and boosts savings rates. Automatic saving increases bring workers up to an adequate savings rate, while a proper default investment insures that employees will be better prepared for their retirement needs.

The 401(k) Enhancement Act became law as part of the 2006 Pensions Protection Act.

Why is this Important?

- The Employee Benefits Research Institute reports that less than 40% of U.S. workers have calculated how much they will need to retire, 30% have not saved anything for retirement, and only 20% feel very confident about having enough money to live comfortably in retirement.
- Over the past 20 years, pension coverage has shifted from defined benefit plans, where benefits are based on years of service and final salary, (generally paid as an annuity), to defined contribution plans (e.g. 401 (k) plans), where individuals' and employers' contributions, and earnings on those contributions, are traditionally awarded as a lump sum at retirement.
- 401 (k) plans shift risks and decision-making from the employer to the individual. Individuals often view financial decisions involved in managing their 401 (k) plans as daunting, and even when they understand the need to join their employer's retirement plan and increase their savings rates, they often don't get enrolled.
- Despite the presence of employer matching contributions, many employees choose not to join their plans.

What are Some of the Incentives?

- Incentives include the nondiscrimination and top heavy safe harbor for automatic enrollment plans that enrolls new hires at least 3% of pay, and annually automatically increases the deferral rate by at least one percent a year until the employee is deferring at least 10% of compensation. Employees would have the ability to opt out.
- Requires a matching contribution of 50% on the first six percent of compensation or a non-elective contribution of 3 percent of compensation for non-highly compensated employees.

The Community Development Homeownership Tax Credit Act

Empowering Families in Need

S.859: The Community Development Homeownership Tax Credit Act encourages private sector construction of affordable housing in moderate and low-income neighborhoods.
Sponsor: Senator Santorum (R-PA), Co-sponsor: Senator Kerry (D-MA)

Construction and redevelopment of single-family homes in low- and moderate-income neighborhoods is often inadequate despite the overwhelming demand for such housing. This is due, in large part, to the disparity between the cots of development and the market price for such dwellings in these neighborhoods. Developers will not invest in single-family homes for low-income families, which cannot be sold for high enough prices to recoup the construction costs. This reality can impact minority communities in particular.

The community Development Homeownership Tax Credit Act covers the difference between development costs and market value of a residence to enable developers to rehabilitate low- and moderate-income neighborhoods. The maximum credit would equal 50 percent of the construction and acquisition costs. A minimum cost of $25,000 would apply to qualify for the credit. This credit would only be applicable to residences in areas that the median gross income does not exceed 80 percent of the greater area or state, is rural, is on a reservation of an Indian tribe, or is of chronic economic distress.

Individuals eligible for to buy homes built using the tax credit would be those making up to 80 percent of the median income in the area or state, or those who make up to 100 percent of the area median in a low-income Census Tract. Individual states would be empowered to allocate the credits based on a series of common sense requirements.

Affordable Housing Stats:

National homeownership rates are the highest ever - (70%)

48.1% for Hispanics

49.1% for African Americans